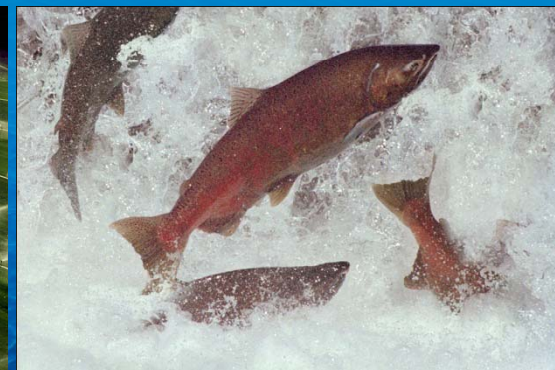




# Update 2013

## Integrated Water Management Finance Plan

*Prepared for:*  
*California Water Plan Public Advisory Committee*



*March 30, 2011*



# Purpose of Today's Presentation

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- **Begin defining the scope of Update 2013 Finance Plan**
- **Identify key components and considerations**
- **Prepare to Launch Finance Caucus**

# Update 2013 Finance Plan

## *Implementing Update 2009*

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*“California needs a water finance plan with stable, continuous funding from an array of revenue sources... The finance plan should recognize the critical role of public-private partnerships and the principle of beneficiary pays; include alternative revenue sources; and guide investment decisions based on sustainability indicators”.*

California Water Plan Update 2009



# Definitions

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- ***Integrated Water Management Actions*** – Projects, programs or policies designed to comprehensively address water supply, water quality, flood management and ecosystem values and function.
- ***Finance Caucus*** – Water Plan topic-based public coordination venue comprised of subject experts and stakeholders for the purpose of discussing, drafting, reviewing and developing the Update 2013 Finance Plan
- ***Funding (or Investment) Plans and Proposals*** – Federal , State, regional and local plans that contain estimates of funding required to implement integrated water management actions or policies

# What to Expect from Update 2013 Finance Plan

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## ***OBJECTIVE:***

**Identify and prioritize critical State and regional water supply, water quality, flood management and environmental stewardship actions;**

**estimate their cost, and**

**recommend innovative, stable, equitable and fiscally-responsible financial strategies and revenue sources**



# What to Expect from Update 2013 Finance Plan

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## ***DELIVERABLES:***

- **A first-of-its-kind statewide inventory/summation of all integrated water management investment plans and proposals** *(potentially including a summary of recent investments for contextual purposes)*
- **Recommendations for resource management finance governance and accountability**

# Update 2013 Finance Plan

## *More Deliverables*

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- **Prioritized recommendations for (State) funding of integrated water management strategies and programs**
  - “Wrap-around” specific program and project plans
  - Priorities under an assumed funding-constrained future (e.g. no bond funds, general funds, user fees, etc)
- **Recommendations for accompanying revenue sources**



# What to Expect from Update 2013 Finance Plan

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## ***PRACTICAL DECISION-SUPPORT:***

- Proper context (statewide integrated water management) required for effective State executive and legislative decision-support
- Increased implementability of actions and policies through improved governance and accountability
- A well-vetted menu of potential revenue sources



# What to Expect from Update 2013 Finance Plan

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## ***MORE PRACTICAL DECISION-SUPPORT :***

- Partial to substantial consensus on certain recommendations
- Identification of areas of uncertainty or conflict that need more work
- Contingency plan for a “funding-constrained” future
- Coordinated planning of various funding needs and sources

# Integrated Water Management Finance Proposals

## *Why Coordinate?*

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AB 32 Public Goods Charge      Statewide Integrated Flood Planning Finance Strategy      SB 571 Master Finance Plan  
Update 2013 Integrated Water Management Finance Plan      DSC Finance Plan      BDCP Finance      Central Valley Flood Program Finance Plan  
Water Resources Investment Fund      SB 34

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## Partial List of Overlapping Elements:

- Resource management actions
- Governance
- Revenue sources
- Planning documents/processes
- Finance principles
- Priorities



# Proposals in SB 571

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**Authorizes California Water Commission to:**

**(1) Develop a master water finance plan by January 2013, updated every five years, including:**

- Funding needs
- Prioritized list of projects and programs
- Alternative finance sources
- Investment recommendations for Governor and Legislature

**(2) Oversee funding allocations:**

- IRWM grant guidelines
- Award state funds
- Annually review and audit the award of state funds

# Proposals in SB 34 *(Partial Summary)*

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## **(1) Establishes a Water Resources Investment Fund:**

- Annual water retailer assessment; continuously appropriated to Fund
- \$110 per acre-foot (Urban); \$20 per acre of irrigated acreage
- 50% statewide investment/ 50% investment at regional level

## **(2) DWR shall:**

- Develop and track implementation/compliance of agricultural BMPs
- Develop regulations relating to the administration of the Fund
- Annually review and audit the award of state funds

## **(3) Authorizes the Water Commission to:**

- Recommend funding priorities of projects of statewide significance, including operating expenses of the Delta Stewardship Council, and implementation of the Delta Plan (excluding Delta Conveyance)



# **Update 2013 Finance Plan**

## **Key Components**

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- **Estimated Integrated Water Management Costs through 2050** (including considerations involving longer horizons)
- **Existing and New Revenue Sources**
- **Cost/benefit Allocation & Funding Principles**
- **Funding Priorities**
- **Contingency Recommendations in the event of severe and sustained funding constraints**
- **Governance, Accountability & Appropriation**

# Update 2013 Finance Plan

*Estimated Integrated Water Management Costs Through 2050*

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## Areas of potential costs:

- 27 Resource Management Strategies
- Federal, Tribal, State, Regional, and Local planning strategies
- Other funding proposals with water supply, water quality, flood management, environmental stewardship or natural resource nexus



# **Update 2013 Finance Plan**

## ***Funding Priorities***

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### **Existing priorities derived from:**

- **CWP Regional Reports (*including IRWMPs*)**
- **State integrated water management finance plans**
- **Federal, Tribal , Regional and Local plans**
- **CWP Update 2013 Companion Plans**
- **Strategic Growth Council Plan**
- **AB 32 Scoping Plan**
- **Other**

# **Update 2013 Finance Plan**

## ***Funding Sources***

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### **Examples of potential funding sources:**

- **G.O. bonds**
- **User fees**
- **Revenue bonds**
- **Federal funding**
- **Licensure**
- **Private funding**
- **Other**



# **Update 2013 Finance Plan**

## ***Cost/Benefit Allocation***

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### **Potential Allocation Methods:**

- **Beneficiary pays**
- **Stressor pays**
- **Public benefits**
- **Cost sharing alternatives and criteria  
(including disadvantaged communities)**
- **Other**

# **Update 2013 Finance Plan**

## ***Funding Principles and Criteria***

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### **Potential Principles and Funding Criteria:**

- **Demand management pricing**
- **Water and energy nexus**
- **Economic efficiency**
- **Sustainability**
- **Co-equal goals**
- **Other**



# Update 2013 Finance Plan

## *Funding-Constrained Contingency Recommendations*

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### Utility of Funding-Constrained Finance Recommendations:

- An assumption of a generation or more of very limited funding changes the criteria for setting priorities
- Capital-minimization finance plan
- Consequences/trade-offs of a sustained triage-based priorities
- Inform decisions under plausible future conditions

# Update 2013 Finance Plan

## *Funding-Constrained Contingency Recommendations*

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### Examples of Triage Finance Strategy:

- Increased dependency on federal cost-sharing (*less direct pursuit of State resource management priorities*)
- Focus on critical operations and maintenance of existing systems



# Update 2013 Finance Plan

## *Funding-Constrained Contingency Recommendations*

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- Investigate relationships between economic conditions and ecosystem investment/protection
  - Reduced willingness to fund benefits that cannot be immediately connected to economic activity that creates/sustains jobs and income
  - Potential reduction of some stressors due to less economic activity
  - Illumination of the absence of free lunch solutions (*e.g. solutions that have no costs or other trade-offs*)
  - Reduced willingness to fund programs with less certain outcomes

# **Update 2013 Finance Plan**

## ***Governance, Accountability and Appropriation***

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### **Example topics for consideration:**

- **Awarding of state financial assistance**
- **Continuous appropriation of potential revenue sources** *(cited in preceding slides)*
- **Audit processes**
- **One fund with multiple endowments**
- **Infrastructure banks**



# **Update 2013 Finance Plan**

## ***Next Steps***

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- **Develop Finance Caucus with appropriate expertise**
- **First Finance Caucus meeting scheduled for April 28<sup>th</sup>**
- **Finalize scope and work plan (May 2011)**

# Group Exercise

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1. **Additional plans and areas of overlap**
2. **Additional key components**
3. **Additional considerations or examples for each key component**
4. **What deliverables should the Caucus aim to bring back to the full Public AC**